

## How Can Individuals Move to Switzerland and What Will Their Basis of Taxation be?

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### BACKGROUND

Many foreigners move to Switzerland for its high life quality, outdoor Swiss lifestyle, excellent working conditions and business opportunities.

A central location within Europe with a high standard of living, as well as connections to over 200 international locations via regular international flights, also make Switzerland an attractive location.

Many of the world's largest multi-nationals and international organisations have their head-quarters in Switzerland.

Switzerland is not part of the EU but one of 26 countries making up the 'Schengen' area. Together with Iceland, Liechtenstein and Norway, Switzerland forms the European Free Trade Association (EFTA).

Switzerland is divided into 26 cantons, each currently with its own basis of taxation. As from January 2020 the corporate tax rate (combined federal and cantonal) for all companies in Geneva will be 13.99%

### RESIDENCE

Foreigners are allowed to stay in Switzerland as tourists, without registration, for **up to three months**.

After three months, anyone planning to stay in Switzerland must obtain a work and/or residence permit, and formally register with the Swiss authorities.

When applying for Swiss work and/or residence permits, different regulations apply to EU and EFTA nationals compared to other nationals.

### **EU/EFTA Nationals**

#### **EU/EFTA – Working**

EU/EFTA nationals enjoy priority access to the labour market.

Should an EU/EFTA citizen want to live and work in Switzerland, he/she can freely enter the country but will need a work permit.

The individual will need to find a job and the employer register the employment, before the individual actually starts work.

The procedure is made easier, if the new resident forms a Swiss company and is employed by it.

#### **EU/EFTA Not working**

The process is relatively straightforward for EU/EFTA nationals wanting to live, but not work, in Switzerland.

The following conditions must be met:

- They must have sufficient financial resources to live in Switzerland and ensure that they will not become dependent on Swiss welfare

AND

- Take out Swiss health and accident insurance OR
- Students need to be admitted by the relevant educational institution, prior to entering Switzerland.

**Non-EU/EFTA – Working**

Third country nationals are allowed to enter the Swiss labour market if they are appropriately qualified, for example managers, specialists and those with higher educational qualifications.

The employer needs to apply to the Swiss authorities for a work visa, while the employee applies for an entry visa in his/her home country. The work visa will allow the individual to live and work in Switzerland.

The procedure is made easier, if the new resident forms a Swiss company and is employed by it.

**Non-EU/EFTA – Not working**

Non-EU/EFTA nationals, without gainful employment are divided into two categories:

1. Older than 55;
  - Must apply for a Swiss residence permit through a Swiss consulate/embassy from their current country of residence.
  - Provide proof of adequate financial resources to support their life in Switzerland.
  - Take out Swiss health and accident insurance.
  - Demonstrate a close connection to Switzerland (for example: frequent trips, family members living in the country, past residency or ownership of real estate in Switzerland).
  - Abstain from gainful employment activity in Switzerland and abroad.

## 2. Under 55;

- A residence permit will be approved on the basis of “predominant cantonal interest”. This generally equates to paying tax on deemed (or actual) annual income, of between CHF 400,000 and CHF 1,000,000, and depends on a number of factors, including the specific canton in which the individual lives.

## TAXATION

### ○ **Standard taxation**

Each canton sets its own tax rates and generally imposes the following taxes: income, net wealth, real estate, inheritance and gift tax. The specific tax rate varies by canton and is between 21% and 46%.

In Switzerland, the transfer of assets, on death, to a spouse, children and/or grandchildren is exempt from gift and inheritance tax, in most cantons.

Capital gains are generally tax free, except in the case of real estate. The sale of company shares is one of the assets, that is exempt from capital gains tax.

### ○ **Lump sum taxation**

Lump sum taxation is a special tax status available to resident non-Swiss nationals without gainful employment in Switzerland.

The taxpayer’s lifestyle expenses are used as a tax base **instead of** his/her global income and wealth. This means that it is not necessary to report effective global earnings and assets.

Once the tax base has been determined and agreed with the tax authorities, it will be subject to the standard tax rate relevant in that particular canton.

It is possible for an individual to have gainful employment outside Switzerland and to take advantage of Swiss lump-sum taxation. Activities relating to the administration of private assets in Switzerland can also be undertaken.

Third country nationals (non-EU/EFTA), are required to pay a higher lump-sum tax on the basis of "predominant cantonal interest". This generally equates to paying tax on deemed (or actual) annual income, of between CHF 400,000 and CHF 1,000,000, and depends on a number of factors, including the specific canton in which the individual lives.

### **Additional Information**

If you would like additional information regarding moving to Switzerland, please contact Christine Breitler at the Dixcart office in Switzerland: [advice.switzerland@dixcart.com](mailto:advice.switzerland@dixcart.com)